

AR46

1972

**DISCOVERY MINES
LIMITED**

1972

ANNUAL REPORT

DISCOVERY MINES LIMITED

OFFICERS

J. C. BYRNE	-	-	-	-	-	-	-	<i>President</i>
J. K. B. BOOTH	-	-	-	-	-	-	-	<i>Vice-President</i>
D. R. McEWEN	-	-	-	-	-	-	-	<i>Secretary-Treasurer</i>

DIRECTORS

J. K. B. BOOTH	-	-	-	-	-	-	-	Toronto, Ont.
J. C. BYRNE	-	-	-	-	-	-	-	Toronto, Ont.
E. S. HOLMGREN	-	-	-	-	-	-	-	Detroit, Mich.
H. EARL JOUDRIE	-	-	-	-	-	-	-	Toronto, Ont.
D. O. MUNGOVAN, Q.C.	-	-	-	-	-	-	-	Toronto, Ont.
G. T. SMITH	-	-	-	-	-	-	-	Toronto, Ont.
V. VAN SANT, JR.	-	-	-	-	-	-	-	Calgary, Alta.

MANAGEMENT

J. C. BYRNE	-	-	-	-	-	-	-	Toronto, Ont.
	<i>Managing Director</i>							
R. J. KILGOUR, P.Eng.	-	-	-	-	-	-	-	Avoca Mines, Ireland
	<i>General Manager</i>							

EXECUTIVE ENGINEER

L. A. BEDNARZ, P.Eng.	-	-	-	-	-	-	-	Toronto, Ont.
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CONSULTANT

NORMAN W. BYRNE, P.Eng.	-	-	-	-	-	-	-	Yellowknife, N.W.T.
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SOLICITORS

MUNGOVAN & MUNGOVAN	-	-	-	-	-	3050 Yonge St.
						Toronto, Ont.

AUDITORS

COLLINS, LOVE, EDDIS,								
VALIQUETTE & BARROW	-	-	-	-	-	110 Yonge St.		
						Toronto, Ont.		

TRANSFER AGENTS AND REGISTRARS

CROWN TRUST COMPANY	-	-	-	-	-	302 Bay St.
						Toronto, Ont.

BANKERS

ROYAL BANK OF CANADA, Bay and Temperance Branch,								
Toronto, Ont.								

EXECUTIVE OFFICE

Suite 1011, 2200 Yonge St., Toronto, Ont.

ANNUAL MEETING

June 5, 1973, 10:00 a.m., Algonquin Room,
Royal York Hotel, Toronto.

DISCOVERY MINES LIMITED

Directors' Report to the Shareholders

We present the Twenty-Sixth Annual Report of Discovery Mines Limited for the year ended December 31, 1972.

Having an important direct and indirect stake in two copper mines, several gold prospects, and petroleum production, Discovery is understandably pleased by the significant improvement in copper, gold and crude oil prices which has occurred during the past several months.

Following a generally listless copper market through 1971 and 1972 the current year has thus far witnessed two U.S. producer price increases aggregating 9.5 cents per pound, while the free market price, as recorded on the London Metal Exchange, has advanced dramatically, posting premiums as much as 13 cents over the present U.S. producer quotation of 60 cents. Beneficiaries of the improvement are Avoca Mines, in which Discovery, as operator, has a 54 per cent equity, and the Icon Sullivan Joint Venture in which Rayrock Mines — a Discovery affiliate — has an interest. The gold bullion market has registered substantial gains from \$44 at year end 1971 and \$65 at year end 1972 to present levels of \$90 per ounce. Since last November two general crude oil price increases totalling 30 cents per barrel have been implemented which will enhance the profitability of Rayrock's petroleum operations.

FINANCIAL

An important change has occurred in the method of reporting your Company's financial position and the results of its operations because of the adoption of recent recommendations of the Canadian Institute of Chartered Accountants. These recommendations relate to accounting for intercorporate investments, including the calculation of income from these investments by the equity method.

The financial position and results of your Company's subsidiaries (Avoca Mines Canada Limited and Camlaren Mines Limited) have therefore been consolidated with those of Discovery Mines Limited. Also, the share of income and/or loss of effectively controlled companies (Rayrock Mines Limited and Tundra Gold Mines Limited) has been included in the determination of the consolidated net loss of \$199,658 for 1972.

AVOCA MINES CANADA LIMITED

Avoca Mines Canada and its wholly owned Irish copper operation reported a mine operating profit of \$1,409,295 for 1972, the second full year of production. After depreciation and amortization deductions of \$1,359,115, interest expense of \$177,198, and head office charges of \$16,142, a consolidated net loss of \$143,160 or 2 cents per share was recorded, which compared with a restated consolidated net loss in 1971 of \$424,442, equivalent to 7 cents per share.

A total of 1,066,450 dry tons of ore grading 0.99 per cent copper was milled yielding 17.3 million pounds copper in concentrate, an increase of 5.0 million pounds over 1971 production. Mill throughput averaged 2,914 tons per calendar day and was 22 per cent above that of the previous period due in large measure to a full year's contribution of good grade open pit ore to only two months' performance in 1971. Underground stoping provided three quarters of the mill feed while the open pit and surface cobbings contributed the balance.

Pyrite concentrate output of 72,812 dry short tons was sold under long term contract to a local government-owned fertilizer manufacturer.

Proven and probable ore reserves as at January 1, 1973 totalled 7.1 million tons grading 1.0 per cent copper. Substantial additional reserves in the inferred category are suggested by the results of limited exploration conducted to date.

DISCOVERY MINES LIMITED

2-year \$2.4m

Late in the 1972 year the Avoca mine embarked on a major depth program designed to develop over five million tons of ore. The two year project is estimated to cost \$2.4 million and will entail extension of the access decline, relocation and enlargement of the underground crushing facilities, and expansion and modernization of the entire conveyor hoisting system. Crushing and conveying equipment valued at \$940,000 is being purchased under very favourable terms that call for repayment over a seven year period.

A major company has expressed interest in conducting a comprehensive exploration program on Avoca's three contiguous prospecting leases and on a portion of the mine lease. Negotiations are at an advanced stage.

While the past two years have not been without difficulties due to poor copper prices, escalating marketing charges, and additional cost burdens associated with rehabilitation of used equipment inherited from the former operation at Avoca, the year 1973 is expected to be considerably better. Average copper settlements will be unquestionably higher, and a modest increase in copper production is forecast. Consequently a significant reduction in Avoca's debt obligations is anticipated.

RAYROCK MINES LIMITED

As at December 31, 1972 Discovery owned 1,015,400 shares of Rayrock Mines representing a 22.8 per cent equity.

For the fiscal year ended October 31, 1972 Rayrock reported cash flow of \$426,382 and net earnings of \$224,960. Operating revenues from the Petroleum Division and from the 23.75 per cent interest in the Icon Sullivan Joint Venture copper mine totalled \$584,838, while investment income was \$182,471. A significant increase in net operating revenue is forecast for 1973 as a result of improved copper prices and benefits from two crude oil price increases that occurred since Rayrock's fiscal year end.

In addition to participation in three prospecting syndicates, and in a joint venture exploration involvement, Rayrock will investigate in 1973 a partially developed gold prospect and a silver-lead property, both acquired under working option.

NORITA QUEBEC MINES LIMITED

Discovery's 13.7 per cent equity in Norita Quebec Mines has assumed greater importance following a production decision by Noranda Exploration Company which had conducted geophysics and drilling on the Norita property under a working option executed in January, 1971. Noranda Exploration, in expanding the original reserve picture, reports a drill indicated tonnage of 1,638,000 tons grading 7.64% zinc, 0.76% copper, and 1.02 ounces silver per ton before allowance for dilution. Importantly, the deepest drill holes on the Matagami area claims returned favourable results which hold promise for extension of ore reserves at depth.

Both Norita, a private company, and Noranda Exploration sold their 25% and 75% respective property interests to Orchan Mines who will be solely responsible for mine development and production. Under the terms of the Orchan acquisition Norita Quebec will receive \$500,000 payable at the rate of 25 cents per ton of ore mined and milled and, as a further consideration, will also be entitled to 25 per cent of net profits from all ore extracted after Orchan recovers its preproduction expenditures together with interest thereon.

Preparatory work has commenced on sinking a 1,600 foot production shaft. By 1976 mine development should be sufficiently advanced to support a regular 900 ton daily treatment rate. All copper-zinc ore will be trucked eight miles to the Orchan concentrator for custom milling.

DISCOVERY MINES LIMITED

DISCOVERY-RADIORE PROPERTY, ISLE DIEU TOWNSHIP, QUEBEC

In September, 1972 Noranda Exploration entered into a working option agreement respecting a 37 claim group situated in Isle Dieu Township. The property, owned 20% by Discovery and 80% by Radiore Uranium Mines Limited, adjoins the Norita Quebec ground and was subject to considerable exploration some years ago. Widely spaced drilling returned interesting copper mineralization in several holes of which one of the better intersections assayed 2.1% copper over 45 feet.

Noranda Exploration has committed to spend a minimum of \$50,000 before September, 1973 and, if an aggregate sum of \$150,000 is expended prior to September, 1975, Noranda may elect to form a new company to acquire the property in which Discovery and Radiore would jointly own a 25 per cent carried interest.

CAMLAREN MINES LIMITED

Discovery owns a 70 per cent share equity in Camlaren Mines which owns a gold prospect in the Gordon Lake area of the Northwest Territories. A high grade vein deposit has been partially developed to shallow depths and future exploration would necessitate deepening of the vertical shaft, lateral development, and subsequent drilling to investigate the ore potential.

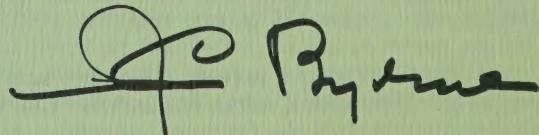
JOHNSBY MINES LIMITED

Discovery and Hydra Explorations Limited each own a 50 per cent interest in Johnsby Mines, a private company, holding 71 contiguous mining claims in the Indin Lake region, some 125 air miles north of Yellowknife. The property hosts a low grade gold occurrence amenable in part to open pit extraction. Results of surface and underground exploration together with bulk sampling in the 1940's suggest the presence of a substantial tonnage of mineralized material with a grade in the order of 0.08 ounces gold per ton.

GENERAL

Discovery participated in only one exploration venture in 1972, this being in the North Thompson region of southern British Columbia. In following up areas of interest disclosed by the previous year's reconnaissance geochemical prospecting, the 1972 efforts yielded nothing of economic consequence. However, further investigation of one anomalous area has been recommended by the project consultants, and a modest program will likely be conducted this summer. Other partners in the venture are International Mogul Mines Limited, Spectroair Explorations Limited, and Metron Exploration Limited.

On behalf of the Board,



President and Managing Director.

DISCOVERY MINES LIMITED
AND ITS SUBSIDIARIES

Consolidated Statement of Income
For the Year Ended December 31, 1972

	1972	1971
Mining activities — Avoca, Ireland		
Sales of concentrates	\$9,004,462	\$
Smelter charges, freight and mine operating expenses including current development	<u>7,595,167</u>	
Mine operating profit before depreciation and amortization of deferred expenditure (note 4)	1,409,295	
Revenue from investments		
Share of income (loss) determined by the equity method (note 1)	43,789	(201,417)
Other investment income (note 3(e))	<u>59,043</u>	110,649
	<u>1,512,127</u>	<u>(90,768)</u>
Deduct		
Depreciation	676,784	661
Amortization of deferred development and deferred finance charges	668,711	
Interest on long term debt	52,500	
Other interest	124,698	
Property maintenance	23,539	23,481
Exploration expenditures	26,760	64,758
Head office expenses	<u>62,527</u>	61,273
	<u>1,635,519</u>	<u>150,173</u>
Loss before additional financing expense and minority interest	123,392	240,941
Bank financing expense in the form of dividends on preferred shares of Avoca Ireland (note 8)	<u>266,548</u>	
	<u>389,940</u>	<u>240,941</u>
Minority shareholders' interest in the loss of subsidiary companies	190,282	1,176
Loss for the year	<u>\$ 199,658</u>	<u>\$ 239,765</u>
Loss per share	<u>\$ 0.07</u>	<u>\$ 0.09</u>

The accompanying notes are an integral part of this consolidated financial statement.

DISCOVERY MINES LIMITED

(Incorporated under the laws of Ontario)

AND ITS SUBSIDIARIES

Consolidated Balance Sheet

ASSETS

Current assets

	1972	1971
Cash	\$ 35,066	\$ 173,476
Short term deposits		75,000
Smelter settlements receivable	417,464	416,586
Concentrates on hand (note 2)	528,389	414,683
Accounts receivable and prepaid expenses	150,352	19,707
	<hr/> 1,131,271	<hr/> 1,099,452
Long term inter corporate investments (note 3)	1,233,900	1,118,024

Mining properties (note 4)

Mining claims and options	420,889	422,490
Land, buildings and equipment	3,742,261	4,017,478
Deferred exploration and development expenditure	4,787,593	5,430,807
	<hr/> 8,950,743	<hr/> 9,870,775

Other assets

Mine stores, at cost	487,838	544,440
Deferred financing expenses (note 5)	162,403	187,900
Incorporation expense	6,537	6,537
	<hr/> 656,778	<hr/> 738,877
	<hr/> \$11,972,692	<hr/> \$12,827,128

The accompanying notes are an integral

DISCOVERY MINES LIMITED

et – December 31, 1972

LIABILITIES

Current liabilities

	1972	1971
Bank indebtedness (note 6)	\$ 903,621	\$ 931,745
Accounts payable and accrued expenses	1,091,958	1,340,831
	<hr/> 1,995,579	<hr/> 2,272,576
Long term debt (note 7)	2,996,500	2,996,500
Bank financing (note 8)	1,313,340	1,500,960
Minority interest (note 9)	<hr/> 1,422,880	<hr/> 1,613,041
	<i>7.5</i>	

SHAREHOLDERS' EQUITY

Capital stock (note 10)

Authorized

4,000,000 shares of \$1 par value each

Issued

2,748,773 shares	2,748,773	2,748,773
Contributed surplus	194,224	194,224
Retained earnings	1,301,396	1,501,054
	<hr/> 4,244,393	<hr/> 4,444,051

Approved on behalf of the Board,

J. C. BYRNE, Director.

D. O. MUNGOVAN, Director.

<hr/> \$11,972,692	<hr/> \$12,827,128
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DISCOVERY MINES LIMITED

AND ITS SUBSIDIARIES

Consolidated Statement of Retained Earnings

For the Year Ended December 31, 1972

	1972	1971
Balance, beginning of the year	\$1,888,369	\$1,923,974
As previously reported	(243,496)	(39,610)
Adjustments to reflect	(143,819)	(143,545)
(a) consolidation of subsidiaries	1,501,054	1,740,819
(b) reporting of income on the equity basis	199,658	239,765
As restated (note 1)	<u>\$1,301,396</u>	<u>\$1,501,054</u>
Loss for the year	(199,658)	(239,765)
Balance, end of the year	<u>\$1,301,396</u>	<u>\$1,501,054</u>

Consolidated Statement of Source and Application of Funds

For the Year Ended December 31, 1972

Source of funds	1972	1971
Current operations (note 13)	\$ 922,240	\$ (115,703)
Sale of investments	15,034	439,360
Decrease in mine stores	56,602	
	<u>993,876</u>	<u>323,657</u>

Application of funds

Purchase of shares of Avoca Mines Canada Limited	540,000
Purchase of investments	80,994
Additions to land, buildings and equipment (net)	416,446
Working capital deficiency of Avoca Mines Canada Limited at December 31, 1971	1,293,224
Reduction of bank financing	187,620
	<u>685,060</u>
Increase (decrease) in working capital	308,816
Working capital (deficiency), beginning of the year	(1,173,124)
Working capital deficiency, end of the year	<u>\$ (864,308)</u>
	<u>\$(1,173,124)</u>

The accompanying notes are an integral part of this consolidated financial statement.

DISCOVERY MINES LIMITED

AUDITORS' REPORT

To the Shareholders,
Discovery Mines Limited.

We have examined the consolidated balance sheet of Discovery Mines Limited and its subsidiaries as at December 31, 1972 and the consolidated statements of retained earnings, income and source and application of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change to the equity method of accounting referred to in Note 1 to the consolidated financial statements, on a basis consistent with that of the preceding year.

COLLINS, LOVE, EDDIS, VALIQUETTE & BARROW,
Chartered Accountants.

Toronto, Canada,
April 18, 1973.

Notes to the Consolidated Financial Statements

December 31, 1972

1. Basis of Statement Presentation

(a) The company and its subsidiaries have adopted the recommendations of the Canadian Institute of Chartered Accountants issued late in 1972 in respect of accounting for long-term intercorporate investments, including the calculation of income therefrom by the equity method. As a result of these changes the subsidiaries Avoca Mines Canada Limited (54% owned) and Camlaren Mines Limited (70% owned) have been consolidated in these financial statements and the share of the income and loss of the effectively controlled companies (Note 3) has been included in the determination of consolidated results of operations.

The comparative figures for 1971 have been restated on the same basis except that the results of operations of Avoca Mines Canada Limited, which was not a subsidiary during 1971, have been included for that year on the equity basis.

The combined effect of these changes has been to increase the reported loss for 1972 by \$163,957 (1971 loss has been increased by \$204,160).

(b) The excess cost of the investment in subsidiaries over the proportionate share of the net book value of the subsidiaries' assets at the dates of acquisition was \$117,631, which amount has been applied as an adjustment of consolidated asset values as follows:

Increase in cost of Gordon Lake, N.W.T. mining claims	\$ 137,268
Decrease in land, buildings and equipment	\$ (19,637)

(c) Current assets and current liabilities of the Irish subsidiary Avoca Mines Limited (Avoca Ireland) at December 31, 1972 have been converted to Canadian currency at the rate of exchange prevailing at that date. Other assets and liabilities have been converted at historical rates.

2. Concentrates on hand

	1972	1971
Copper concentrates at estimated net realizable value	\$ 424,197	\$ 348,474
Other concentrates at estimated net realizable value	104,192	66,209
	<u>\$ 528,389</u>	<u>\$ 414,683</u>

In computing the estimated net realizable value of copper concentrates on hand at December 31, 1972 a price of \$0.46½ (1971 — \$0.47½) per pound of copper has been used.

3. Long term intercorporate investments

	1972	1971
(a) This item comprises:		
Investment in shares of companies accounted for by the equity method		
(note 3(b)) — Rayrock Mines Limited, 22.8% owned	\$ 1,139,327	\$ 1,014,082
— Tundra Gold Mines Limited, 27.8% owned	59,720	66,322
Listed shares, at cost	25,414	29,006
Other shares and debentures at cost less amounts written-off (note 3(f))	9,439	8,614
	<u>\$ 1,233,900</u>	<u>\$ 1,118,024</u>

(b) The investment in shares of companies accounted for by the equity method is carried at cost adjusted by the

DISCOVERY MINES LIMITED

Company's share of their earnings or losses since effective control was acquired. The quoted market value of these shares is \$1,143,228 (1971 — \$1,289,657).

- (c) Listed shares have a quoted market value of \$14,850 (1971 — \$23,050).
- (d) The quoted market values referred to above do not necessarily represent the realizable value of these holdings which may be more or less than that indicated by market quotations.
- (e) Gains of \$23,580 (1971 — \$77,290) on realization of investments are included in income.
- (f) Debentures consist of \$440,000 Tundra Gold Mines Limited income debentures due April 1, 1975 which are valued at \$1.

4. Mining properties consist of

(a) Mining claims and options, at cost	1972	1971
32 claims Yukon Territory	\$ 69,312	\$ 69,312
19 claims Discovery N.W.T.	71,200	71,200
21 claims Gordon Lake Area N.W.T.	280,375	281,576
Sundry	2	402
	<u>\$ 420,889</u>	<u>\$ 422,490</u>

Mining claims and options were acquired for cash and shares of capital stock as valued by the directors of the company.

(b) Land, buildings and equipment

Avoca Ireland — fixed assets at cost less accumulated depreciation	1972	1971
La Forma, Yukon Territory and Discovery, N.W.T. — fixed assets at mining properties carried at cost less realizations and accumulated depreciation to shut-down dates	\$3,661,586	\$3,933,964
	80,675	83,514
	<u>\$3,742,261</u>	<u>\$4,017,478</u>

Depreciation on mobile equipment is based on the estimated useful life of the equipment. Depreciation on other fixed assets of Avoca Ireland is calculated by reference to reported ore reserves.

(c) Deferred exploration and development expenditure.

Expenditures by Avoca Ireland to develop the mine less amounts amortized.

Amortization is calculated with reference to reported ore reserves

Expenditures by predecessor companies on mining claims in the Mattagami

Lake area of Quebec and other locations. It is the Company's policy to carry these expenditures forward until such time as they can be written off against revenues from those properties or until the claims are sold or otherwise disposed of

1972	1971
\$4,336,229	\$4,979,443
<u>\$4,787,593</u>	<u>\$4,430,807</u>

5. Deferred Financing Expense

Discount on liability to the Receiver referred to in note 7, less amortization to December 31, 1972 of \$31,097 (1971 — \$14,011)

Unamortized discount on 7% unsecured subordinated debentures

1972	1971
\$ 162,403	\$ 179,489
—	8,411
<u>\$ 162,403</u>	<u>\$ 187,900</u>

6. Bank indebtedness

Bank indebtedness is secured by deposit of title deeds and a floating charge on all of the other assets of Avoca Ireland.

7. Long term debt

This amount comprises the following obligations of subsidiaries:

1972	1971
\$1,000,000	\$1,000,000
255,000	255,000
1,741,500	1,741,500
<u>\$2,996,500</u>	<u>\$2,996,500</u>

8½ % unsecured income debentures.

These income debentures mature on December 31, 1975. Interest accrues from their date of issue and is payable on April 30 in each year only out of operating profits as defined. Such interest accumulated to December 31, 1972 amounts to \$282,500, but because there have not yet been sufficient operating profits this amount has not been recorded in the accounts. The income debentures must be redeemed prior to maturity if operating profits exceed certain limits. Avoca Mines Canada Limited (Avoca Canada) may not pay dividends or make payments of principal on its 7% subordinated unsecured debentures until the income debentures are redeemed.

DISCOVERY MINES LIMITED

7% unsecured subordinated debentures.

\$750,000 principal amount of these debentures has been issued by Avoca Canada of which \$495,000 held by Discovery Mines Limited has been eliminated on consolidation. These debentures mature on December 31, 1975 and Avoca Canada may not pay dividends until they are redeemed in full.

Due to the Receiver for St. Patrick's Copper Mines Limited.

This amount is payable without interest in annual instalments equal to 15% of the profits of Avoca Ireland as defined by the agreement with the Receiver.

8. Bank financing

9 3/4 % cumulative redeemable preference shares of Avoca Ireland were issued in 1970 to that subsidiary's bankers for cash under a financing agreement which provides that:

(a) the operating profits of Avoca Ireland are to be applied in the following order of priority:

- (i) in payment of arrears of dividends, if any, on the preference shares;
- (ii) in payment of current dividends on the preference shares;
- (iii) to redeem preference shares in accordance with the following schedule:

December 31, 1972	\$137,588
June 30, 1973	375,240
December 31, 1973	375,240
June 30, 1974	425,272

(iv) to redeem additional preference shares on June 30 in each year commencing with the year 1972 in an amount equal to one-half of the profits remaining after deducting the amounts payable under items (i), (ii) and (iii).

(b) if Avoca Ireland fails to meet any commitment described in subparagraphs (i), (ii) and (iii) of paragraph (a) above, Avoca Canada may be required to purchase preference shares from the bank to reduce the bank's investment to an amount which would have resulted if Avoca Ireland had met its commitments. Any preference shares so purchased by Avoca Canada must be converted into common shares of Avoca Ireland; and

(c) for as long as preference shares remain outstanding, Avoca Ireland may not pay dividends on its common shares.

During 1972 preference shares redeemable prior to December 31, 1972 as referred to in paragraph (a) above in the amount of \$187,620 par value were redeemed in accordance with this financing agreement. The preference shares scheduled for redemption on December 31, 1972 were redeemed in January, 1973.

9. Minority interest

	1972	1971
Camlaren Mines Limited	\$ 29,199	\$ 29,991
Avoca Mines Canada Limited	1,393,681	1,583,050
	<u>\$1,422,880</u>	<u>\$1,613,041</u>

10. Employees incentive stock purchase option

Stock purchase options on 106,000 shares at a price of \$1.35 a share expire on October 31, 1973.

11. Remuneration of directors and senior officers

Directors and senior officers, as defined in The Business Corporations Act (Ontario), received direct remuneration in the year ended December 31, 1972 of \$39,400.

12. Subsequent events

Avoca Ireland, the operating subsidiary of Avoca Canada, is negotiating to purchase crushing and conveying equipment at an estimated price of \$940,000 payable in foreign currency over a 7-year period. In this connection, Discovery Mines Limited gave a guarantee in March, 1973 which ensures that the vendor of the equipment will not incur any loss due to changes in currency exchange rates as between pounds sterling and the commercial French franc.

13. Source of funds from current operations

	1972	1971
Loss for the year	\$(199,658)	\$(239,765)
Less items which did not require the current use of funds:		
Depreciation	676,784	661
Amortization of deferred development and finance charges	668,711	
Minority interest in consolidated loss for the year	(190,282)	(1,176)
Share of (income) loss determined by the equity method	(43,789)	201,417
Profit on sales of investments	(4,927)	(77,290)
Other	15,401	450
	<u>\$ 922,240</u>	<u>\$(115,703)</u>

CHART ILLUSTRATING DISCOVERY'S PRINCIPAL HOLDINGS

